

DAE/PR

18 July 1958

Ch/E

**ERA Contribution to Annual Report to the NSC on the Status of
Foreign Intelligence Programs**

In accordance with your request of 10 July, I am submitting
herewith the ERA contribution to the Agency's annual report to
the NSC.

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Economic Intelligence

a. Intelligence on the economic performance of the Sim-Soviet Bloc continued to improve during the year as a result of the greater volume of economic data published by the various countries. This improvement in assessment of the past was offset, however, by uncertainty due to increasing experimentation with economic policies and institutions, especially in the Soviet Union. Research is now focused on estimating the effects on economic growth and productivity of such institutional changes in the USSR as the substitution of regional councils for industrial ministries, the abolition of the machine tractor stations, and the adoption of a new agricultural procurement policy.

b. Economic intelligence has continued to make significant contributions to the assessment by the intelligence community of Bloc military capabilities, both as a result of the increased availability of information and of improved methods of analysis. Economic research has resulted in a substantial downward revision in US estimates of nuclear power capacity in the USSR for 1960. The consideration of the relative economic costs of possible future Soviet programs in the field of guided missiles has reduced the margins of error involved in the projections of these programs. Economic intelligence has also contributed significantly to improved estimates of the production of heavy bombers in the USSR and to assessment of the accelerated program of research and development, for industrial as well as military purposes, in the Bloc.

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c. In implementation of revised NSC defense policy, extensive economic intelligence support was provided for the first comprehensive review of the multilateral trade controls since 1954. Major attention also was given to appraisals of the magnitude and significance of the Bloc's aid and trade activities in the underdeveloped countries of the Free World. Increased emphasis was also given to an appraisal of the significance of the increasing propensity of Bloc countries to trade with the West.

d. Despite some improvement during the year, serious deficiencies in direct information on Bloc military programs and expenditures still persist, necessitating the continued use of indirect methods of analysis and estimation. Major gaps remain in knowledge of Bloc production of certain nuclear energy chemicals, of high-energy fuels, particularly those required for guided missiles, and of electronic equipment used for both industrial and military purposes. Direct information is also lacking on Soviet military expenditures, particularly the scope of activities covered by the explicit defense budget, and on the relative role assigned to aircraft and guided missiles in the future economic planning of the USSR. A concerted effort to fill these gaps in intelligence has been made through the inauguration of a coordinated collection program, with particular emphasis on Soviet guided missile production and deployment.

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e. The number of published research reports providing current analyses of economic developments in the Sino-Soviet Bloc continued to increase during the year. The greater volume of statistical data published by Bloc countries has made it possible to publish some of these reports without security restrictions, thus greatly increasing their potential utility.

f. The Economic Intelligence Committee continued to contribute to the inter-Agency coordination of economic intelligence. A joint State-CIA project was established to provide an integrated appraisal of the political and economic effects of the major industrial reorganization that occurred in the USSR in 1957. The project undertaken by CIA to supply the Air Force with production data in support of targeting studies was considerably expanded during the year to include a number of additional commodities.

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